MAERSK CONTAINER INDUSTRY A/S

Bjerndrupvej 47, Almstrup Mark, 6360 Tinglev

ANNUAL REPORT 2017

The Annual Report 2017 was adopted at the Annual General Meeting
23 May 2018

Jacob Ramsgaard Nielsen
Chairman of the Meeting

Registration No. 13 82 37 74

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Maersk Container Industry A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 23 May 2018

Executive Board:

Søren Leth Johannsen
CEO

Board of Directors:

Sean S. Fitzgerald Chairman	Anne Pindborg	Camilla Tornø
Brian Hinrichsen	Bent Tobias Stolberg	

Independent auditor's report

To the shareholder of Maersk Container Industry A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk Container Industry A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibility for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

Independent auditors' report

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 23 May 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33771231

Gert Fisker Tomczyk State Authorised Public Accountant mne9777	Henrik Y. Jensen State Authorised Public Accountant mne35442

Management's review

Company details

Maersk Container Industry A/S
Bjerndrupvej 47
Almstrup Mark
6360 Tinglev

Telephone:	+45 7364 3400
Website:	www.mcicontainers.com
CVR no.:	13 82 37 74
Established:	08.01.1990
Registered office:	Denmark

Board of Directors

Sean S. Fitzgerald
Anne Pindborg
Camilla Tornø
Brian Hinrichsen
Bent Tobias Stolberg

Executive Board

Søren Leth Johannsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Annual general meeting

The annual general meeting is to be held on 23 May 2018.

Management's review

Financial highlights

Key figures

DKK million	2017	2016	2015	2014	2013
Income statement					
Revenue	6,710	3,746	4,623	3,804	3,613
Ordinary operating profit/loss	129	-568	-514	-231	-86
Profit/loss from financial income and expense	25	-32	1	9	7
Profit/loss for the year	105	-520	-398	-169	-63
Balance sheet					
Total assets	2,449	2,643	1,870	2,065	1,331
Investment in property, plant and equipment	0	0	2	1	1
Equity	710	605	631	1,029	593
Financial ratios					
Operating margin	1.9%	-15.2%	-11.1%	-6.1%	-2.4%
Gross margin	3.5%	-13.0%	-9.9%	-4.1%	-0.9%
Current ratio	86.8%	81.0%	71.2%	142.6%	140.3%
Solvency ratio	29.0%	22.9%	33.7%	49.8%	44.6%
Average number of employees	96	93	87	79	75

Management's review

Operating review

Principal activities of the company

Maersk Container Industry A/S (MCI) is a fully owned subsidiary of A.P. Møller-Mærsk A/S (http://www.maersk.com) and is a trading company for reefer and dry containers as well as spare parts for reefer containers and the Danish affiliate of the MCI Group (http://www.mcicontainers.com), one of the global leaders in container manufacturing especially within reefer containers and reefer machines. MCI comprises of the MCI Group's headquarters based in Copenhagen and Tinglev, Denmark which include global sales and marketing, R&D and test centre, technical and administrative support functions as well as a global service centre. Further, MCI is the owner of the reefer container factory in Chile whereas the dry container factory in Dongguan, China and the reefer container factory in Qingdao, China are sister companies.

Development in activities and financial position

The 2017 reefer market reached a total of 114,500 reefers (2016: 75,800) produced. The reefer demand in first half was merely 33% of the total 2017 market and was exclusively driven by Maersk Line. MCI captured higher market shares compared to previous year for both reefer boxes and reefer machines (Star Cool), at respectively 41% (38%) and 35% (27%). The volumes transported in reefer container in 2017 was reported 4.8M FFE, being a growth of 5.6% year-on-year.

The reefer factory in Chile has achieved steady state one shift operations and will continue productions ramp up with safety and quality as the ongoing priorities.

Sales increased by 77% to DKK 6,710m as a result of a growing demand of both refrigerated and dry containers in 2017 and higher sales prices especially on dry containers which increased significantly compared to 2016.

The net result for MCI increased to DKK 105m in 2017 compared to DKK -520m in 2016 and was significantly impacted by the increased volumes in both the reefer and dry segment and the high prices in the dry container market. Profitability was significantly better than 2016 despite higher commodity prices and driven by the factories in China running near full capacity throughout the year and the increased profitability in the dry segment, where the sales prices increased more than the manufacturing costs. The result in 2017 exceeded the expectations.

Outlook

A generally positive outlook for reefer demand, fuelled by under-investments in past years and bulk conversion prevails for 2018. There is consensus for +4% growth on the reefer transports and we forecast 2018 reefer market to reach 140,000 reefers. Despite the positive demand outlook it is expected the reefer box pricing will be under pressure throughout 2018 due to the increased production capacity.

Management's review

Operating review

The container shipping industry has been characterised by overcapacity and consolidation in recent years, impacting the global demand for ocean containers negatively. The demand for reefer containers increased in 2017 compared to the unprecedented low level in 2016, but was still below 2015 volumes. Generally, the ocean container manufacturing market for dry and reefer containers remains characterised by oversupply, and MCI expects this to continue for the near future. 2017 was an exceptional good year in terms of revenue and profitability and MCI expects increased pressure on prices and margins. This could affect both the future profit and the value of the investment in the subsidiary in Chile negatively. Therefore, for 2018 MCI expects a minor loss.

Risks and uncertainties

Operational risk
The company has entered into long-term contracts for the supply of containers, in order to ensure a stable supply, and therefore the risk conditions in this regard are unchanged.

Market risk
Maersk Container Industry operates in a market, that is significantly affected by the shipping industry. A market that we predict in the long run should be relatively stable.

The use of steel etc. in container manufacturing poses a minor risk, as increase in steel price can generally be absorbed in the price of finished containers.

Currency risks
Activities abroad cause earnings, cash flows and equity to be affected by the exchange rate developments, mainly USD. There are no speculative currency deposits. Exchange risks associated with investments in subsidiaries and associates abroad are generally not covered as the company believes that a continuous hedging of such long-term investments will not be optimal based on a comprehensive risk and cost consideration.

Liquidity risk
The company is dependent on continuously having long-term financing. It is therefore the company's policy to, as far as possible, have non-cancellable credit limits of a size that is reasonable in relation to the company's planned activities.

Environmental matters

Maersk Container Industry A/S considers CSR to be an important part of our business. As to efforts made in 2017, we refer to the parent company, A.P. Møller-Mærsk A/S' sustainability report (https://www.maersk.com/business/sustainability).

Management's review

Operating review

Goals and policies for the under-represented gender

In March 2013 the Board adopted targets for the diversity of the company's shareholder-appointed board members with respect to the under-represented gender.

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognises the advantages of a board comprising a wide range of backgrounds such as global experience, style, culture and gender.

Since 31 December, 2016 one of the shareholder-appointed Board members is a woman. Consequently, the target for gender diversity has been met.

At the Board Meeting in A.P. Møller - Mærsk A/S on 21 February, 2013 a group policy was adopted with the aim to increase the share of the under-represented gender on the company's other management levels (Link to policy: https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports).

In accordance with this policy Maersk Container Industry A/S has taken steps to look into how the company can attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions.

Events after the balance sheet date

No significant events have occurred after balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Revenue	2	6,710,402	3,746,377
Changes in inventories of finished goods		52,876	-30,323
Other operating income		117	612
		6,763,395	3,716,666
Raw materials and consumables		-6,413,676	-4,113,360
Other external costs		-114,363	-91,386
Gross profit/loss		235,356	-488,080
Staff costs	3	-84,596	-72,862
Depreciation, amortisation and impairment losses	7+8	-19,478	-5,429
Other operating costs		-2,093	-1,422
Result before financial income and expenses		129,189	-567,793
Financial income	4	905,867	707
Financial expenses	4	-881,354	-32,348
Result before tax		153,702	-599,434
Tax on profit for the year	5	-48,675	79,657
Result for the year	6	105,027	-519,777

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	7		
Development projects		0	36,893
Finished development projects		33,177	0
		33,177	36,893
Property, plant and equipment	8		
Land and buildings and installations		14,576	16,164
Rolling stock, IT, etc,		1,442	2,156
		16,018	18,320
Investments			
Investments in group enterprises	9	1,037,410	1,037,410
		1,037,410	1,037,410
Total non-current assets		1,086,605	1,092,623
Inventories			
Finished goods and goods for resale		107,000	54,125
		107,000	54,125
Receivables			
Trade receivables		388,870	410,660
Amounts owed by group enterprises		831,981	946,328
Deferred tax asset	10	14,974	9,615
Joint taxation contribution receivables		0	104,375
Other receivables		19,442	23,730
Prepayments		0	1,895
		1,255,267	1,496,603
Cash at bank and in hand		45	49
Total current assets		1,362,312	1,550,777
TOTAL ASSETS		2,448,917	2,643,400

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Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital	11	102,000	102,000
Retained earnings		583,678	476,674
Reserve development projects		24,803	26,780
Total equity		710,481	605,454
Provisions			
Warranties	12	168,201	124,394
Total provisions		168,201	124,394
Liabilities other than provisions			
Current liabilities			
Trade payables		28,141	50,567
Payables to group enterprises		1,450,360	1,775,008
Other payables		91,734	87,977
Total liabilities other than provisions		1,570,235	1,913,552
TOTAL EQUITY AND LIABILITIES		2,448,917	2,643,400

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Related parties	15

Equity

2017

DKK'000	Share capital	Retained earnings	Reserve develop-ment projects	Total
Equity at 1 January 2017	102,000	476,674	26,780	605,454
Profit for the year	0	105,027	0	105,027
Adjustment of reserves		1,977	-1,977	0
Equity at 31 December 2017	102,000	583,678	24,803	710,481

2016

DKK'000	Share capital	Retained earnings	Reserve develop-ment projects	Total
Equity at 1 January 2016	101,000	530,047	0	631,047
Cash capital increase	1,000	493,184	0	494,184
Profit for the year	0	-519,777	0	-519,777
Adjustments of reserves	0	-26,780	26,780	0
Equity at 31 December 2016	102,000	476,674	26,780	605,454

Notes

1 Accounting policies

The annual report of Maersk Container Industry A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies applied by the company are consistent with those of last year.

Applied exemption clauses in the Danish Financial Statements Act

In accordance with section 86(4) of the Danish Financial Statements Act, Maersk Container Industry A/S has not prepared a cash flow statement as this is included in the consolidated cash flow statement of the parent company, A.P. Møller-Mærsk A/S.

In accordance with section 96(3) of the Danish Financial Statements Act, the Company has not disclosed fees to the auditors appointed at the annual general meeting, as this is included in the financial statement of A.P. Møller-Mærsk A/S.

In accordance with section 112 of the Danish Financial Statements Act, the Company has not prepared consolidated financial statement as this is included in the consolidated financial statement of A.P. Møller-Mærsk A/S.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of containers and reefer machines is recognised in the income statement when delivery and transfer of risk to the buyer have taken place.

Costs

Costs comprise direct and indirect costs for raw materials and consumables to generate revenue for the year.

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Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the Company, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Intangible assets comprise large and long-term development projects.

Development project, that are clearly defined and identifiable, where the technical utilization rate, sufficient resources and a potential future market or development opportunity in the company can be detected, and where the intention is to produce, market or use the project, is recognized as intangible fixed assets, if there is sufficient assurance that the capital value of future earnings can cover production, sales and administration costs as well as the actual development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognized as expenses in the income statement as the costs incurred.

Development projects that are capitalised are measured at cost less accumulated depreciation and impairment. An equal amount after tax is recognized in “Reserves for development projects” under equity. The reserve is reduced with depreciations. Depreciation is commenced when the development project is finalised. Cost includes direct cost pertaining to the development of development projects. Completed development projects, including software, are amortised on a straight-line basis over 3 years. Licenses are measured at cost less

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accumulated amortisation and impairment. Licenses are amortised on a straight-line basis over 3 years.

Property, plant and equipment

Land and buildings, plant and machinery, and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	50 years
Fixtures and fittings, other plant and equipment	3-10 years

Land is not depreciated.

Fixtures and fittings, other plant and equipment of less than DKK 50 thousand a unit as well as current assets are expensed in the year of acquisition.

The economic life and scrap value of all property, plant and equipment are re-evaluated every year.

Investments

Investments comprise investments in subsidiaries and are measured at cost. Where cost exceeds net realisable value, a write-down is made to this lower value.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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Finished goods and goods for resale comprise the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepaid expenses of freight, subscriptions and rebate.

Cash and cash equivalents

Cash comprises cash balances and bankbalances.

Reserve for development costs

Reserve for development costs includes recognized development costs. The reserve can not be used for dividends or coverage of losses. The reserve is reduced or dissolved if the recognized development costs are depreciated or deducted from the company's operations. This is done by transfer directly to equity reserves.

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Maersk Container Industry A/S is jointly taxed with the parent company, A.P. Møller-Mærsk A/S. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year adjusted for tax on the taxable income of prior years and for tax paid on account.

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Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes, office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets are recognised at the expected value of their utilisation within the foreseeable future, that is expected to be utilised within the joint-taxation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement and equity, respectively.

Provisions

Provisions comprise anticipated costs related to warranties. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured and recognised based on past experience.

Liabilities other than provision

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Other liabilities are measured at net realisable value.

Segment information

Information are given on activities and geographic markets. The segment information are in accordance with the company's accounting policies, risks and internal financial management.

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Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

2 Segment information

Primary segment

The sale of containers, reefer units and spare parts accounts for the Company's revenue.

Geographically, revenue is broken down by sale to Denmark 79% and export 21% (2016: 54% to Denmark and 46% for export).

	DKK'000	2017	2016
3	**Staff costs**		
	Wages and salaries	77,082	65,437
	Pensions	5,518	5,222
	Other social security costs	1,996	2,203
		84,596	72,862
	Average number of employees	96	93

Staff costs include remuneration of the Company's Executive Board of salary DKK 3,620 thousand (2016: DKK 2,685 thousand) and pension DKK 323 thousand (2016: DKK 258 thousand).

The A.P. Møller - Maersk Group has a restricted and performance shares program, comprising the Board of Directors in Maersk Container Industry. The transfer of restricted shares is contingent on the employee still being permanently employed and takes place when three years have passed from the time of granting. There were no restricted shares granted in 2017 to employees in the Maersk Container Industry (2016: estimated at approximately DKK 697 thousand).

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There was for the year 2017 no performance shares granted employees in Maersk Container Industry (2016: no performance shares granted).

4 Financial income and expenses

Financial income includes interest income from group enterprises of DKK 2,645 thousand. (2016: DKK 583 thousand).

Financial expenses include interest expense to group enterprises of DKK 9,846 thousand. (2016: DKK 7,599 thousand).

	DKK'000	2017	2016
5	**Tax recognised in the income statement**		
	Current tax on profits for the year	0	111,763
	Adjustments for deferred tax for the year	5,359	-26,640
	Adjustments for current tax of prior periods	-54,034	24,611
	Adjustments for deferred tax of prior periods	0	-30,075
		-48,675	79,657
6	**Proposed profit appropriation**		
	Retained earnings	105,027	-519,777
		105,027	-519,377

Financial statements 1 January – 31 December

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7 Intangible assets

DKK'000	Finished development projects
Cost at 1 January 2017	39,998
Additions	13,460
Cost at 31 December 2017	53,458
Depreciation 1 January 2017	3,105
Depreciation	17,176
Depreciation 31 December 2017	20,281
Carrying amount at 31 December 2017	33,177

The additions to Intangible Assets relate to the capitalised cost of developing and implementing a new ERP system.

8 Property, plant and equipment

DKK'000	Land and buildings and installations	Rolling stock, IT, etc.	Total
Cost at 1 January 2017	82,928	11,777	94,705
Additions	0	0	0
Disposals	0	0	0
Cost at 31 December 2017	82,928	11,777	94,705
Depreciation and impairment losses at 1 January 2017	66,764	9,621	76,385
Depreciation	1,588	714	2,301
Disposals	0	0	0
Depreciation and impairment losses at 31 December 2017	68,352	10,335	78,687
Carrying amount at 31 December 2017	14,576	1,442	16,018

Financial statements 1 January – 31 December

Notes

9 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2017	1,070,362
Cost at 31 December 2017	1,070,362
Impairment loss at 1 January 2017	32,952
Impairment loss at 31 December 2017	32,952
Carrying amount at 31 December 2017	1,037,410

Name	Registered office	Share capital '000	Voting rights and ownership	Net result '000	Equity '000
Subsidiaries					
Maersk Composite Company Ltd.	Hong Kong	HKD 63,687	90%	949	28,641
Maersk Container Industry San Antonio	Chile	USD 147,769	100%	217	81,832

The value of the shares in Chile is dependent on the future prices and volumes for reefer containers produced in Chile. At the current prices, there are no impairment charge. However, in case of a negative change in prices, an impairment might be triggered.
As the container manufacturing market is affected by oversupply MCI expects increased pressure on prices and margins. This could affect both the future profits and the value of the shares negatively going forward.

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10 Deferred tax asset

DKK'000	
Deferred tax at 1 January 2017	9,615
Deferred tax recognised in the income statement	5,359
Deferred tax recognised under equity	0
Deferred tax at 31 December 2017	14,974
Deferred tax relates to:	
Intangible assets	3,922
Tangible assets	9,797
Current assets	1,255
	14,974

11 Equity

DKK'000	2017	2016
Share capital		
Two shares of DKK 36,000 thousand	72,000	72,000
One share of DKK 25,000 thousand	25,000	25,000
One share of DKK 3,000 thousand	3,000	3,000
Thousand shares of DKK 1 thousand	1,000	1,000
Thousand shares of DKK 1 thousand	1,000	1,000
Share capital 31 December	102,000	102,000

Changes in share capital during the past five years are specified as follows:

DKK'000	2017	2016	2015	2014	2013
Balance at 1 January	102,000	101,000	101,000	100,000	100,000
Cash capital increase	0	1,000	0	1,000	0
	102,000	102,000	101,000	101,000	100,000

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DKK'000	2017	2016
12 Warranties		
Warranties at 1 January	124,394	103,247
Warranty provisions for the year	75,385	66,437
Warranty provisions used	-31,578	-45,290
Warranties at 31 December	168,201	124,394

The provisions are expected to be activated as follows:

0-1 year	33,640	42,718
1-5 years	134,561	81,676
Warranty provisions at 31 December	168,201	124,394

Warranty commitments comprise commitments typically relating to 5-year warranty for containers.

13 Contingent assets

The tax value of tax loss carry forward DKK 20,290 thousand is recognised as a contingent asset, due to the company not expecting of utilize the loss within the foreseeable future either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

14 Contingent liabilities and collateral

The Company has entered into operating leases totalling DKK 227 thousand, of which DKK 122 thousand is due for payment next year.

The Company has entered into lease of office space with a notice period of 15 months totalling DKK 1,018 thousand.

Maersk Container Industry is jointly taxed with other Danish companies in the A.P. Møller - Mærsk A/S Group and ultimately A.P. Møller Holding A/S. As a wholly-owned subsidiary, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish withholding taxes on dividends, interest and royalties.

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15 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. In the financial year, no transactions took place with related parties, that were not performed on an arm's length basis.

Control and Ownership

A.P. Møller-Mærsk A/S, Esplanaden 50, DK-1263 Copenhagen K owns all the shares in the Company. The consolidated financial statements of A.P. Møller-Mærsk A/S may be obtained from the same address.

Consolidated Financial Statements

The Company is included in the Group Annual Reports of these Parent Companies:

Name:	Place of registered office:
A.P. Møller-Mærsk A/S	Copenhagen K, Denmark
A.P. Møller Holding A/S	Copenhagen K, Denmark